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OREGON LABOR TRENDS

STATE OF OREGON • EMPLOYMENT DIVISION • DEPARTMENT OF HUMAN RESOURCES

Prepared by Research and Statistics Section

JANUARY 1986

DECEMBER INDICATORS

UNEMPLOYMENT RATE

Oregon (Seas. Adj.)

Dec.	1985	7.4
Nov.	1985	7.6
Dec.	1984	9.2

U.S.

Dec.	1985	6.9
Nov.	1985	7.0
Dec.	1984	7.2

WAGE AND SALARY EMPLOYMENT INDEX

Oregon 1977=100

Dec.	1985	110.7
Nov.	1985	110.4
Oct.	1985	110.[illegible]
Sep.	1985	109.[illegible]
Aug.	1985	109.4

DIFFUSION INDEX

Oregon

Dec.	1985	58.2
Nov.	1985	51.6
Oct.	1985	55.4
Sep.	1985	47.3
Aug.	1985	45.7

PRODUCTION WORKER AVERAGE WEEKLY HOURS

Oregon

Nov.	1985	38.8
Oct.	1985	39.4
Nov.	1984	38.4

CONSUMER PRICE INDEX (CPI)

1967=100

ALL URBAN CONSUMERS

Portland MSA

Nov. 1985		317.1
Yearly Change	+	4.0%

U.S.

Dec. 1985		327.4
Yearly Change	+	3.8%

Portland Hotline 221-4137

YEAR END GAINS—A PRELUDE TO 1986?

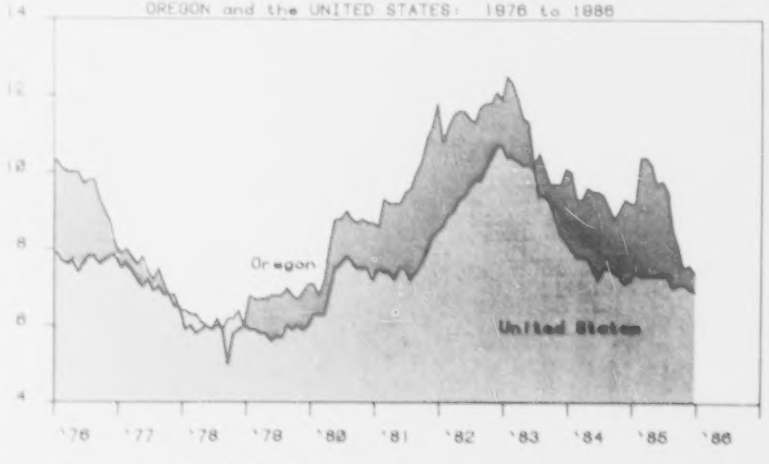
Jeff Hannum

1985

You might not believe this if you live in rural Oregon, but its true....the nation's economic recovery is now entering its fourth year! If improvement continues through 1986, which is likely, this will rank as one of the longest peacetime expansions since the 1940s. Although Oregon's recovery since the 1980-82 recession period hasn't exactly been the economic equivalent of Halley's Comet, we too are entering the fourth year of economic expansion.

For awhile, especially during the first half of 1985, it looked like Oregon's less than stellar economy had somehow bumbled into a "black hole". The seasonally adjusted unemployment rate had risen sharply from 9.2% in December 1984 to 10.4% in February and March. Despite some slight improvement in the second quarter, the jobless rate averaged about 10% for the first half of the year. Compared to 1984, when unemployment averaged 9.4%, this was not a very hopeful sign. The situation didn't look any better based on trends in the non-farm wage and salary employment index or the diffusion index. The employment index peaked in February at 109.6, then began to lose ground each month, falling nearly one full point by mid-summer. The diffusion index displayed a similar trend. It peaked at 57.0 in January and February, then declined almost every month until July, when it reached a low of 45.3.

SEASONALLY ADJUSTED UNEMPLOYMENT RATES*
OREGON and the UNITED STATES: 1976 to 1986



* Civilian labor force only

RESIDENT OREGON LABOR FORCE

	DEC. 1985 1/	NOV. 1985 2/	CHANGE	% CHANGE	DEC. 1984 5/
CIVILIAN LABOR FORCE 3/	1,343,900	1,346,400	- 2,500	- 0.2	1,331,700
UNEMPLOYMENT	104,700	101,900	2,800	2.7	128,100
PERCENT OF LABOR FORCE	7.8	7.6	XXX	XXX	9.6
SEASONALLY ADJUSTED PERCENT	7.4	7.6	XXX	XXX	9.2
TOTAL EMPLOYMENT 4/	1,239,200	1,244,500	- 5,300	- 0.4	1,203,600

1/ PRELIMINARY. 2/ REVISED. 3/ INCLUDES EMPLOYED AND UNEMPLOYED INDIVIDUALS 16 YEARS AND OLDER. DATA ARE ADJUSTED FOR MULTIPLE JOB-HOLDING AND COMMUTING. 4/ INCLUDES NONAGRICULTURAL WAGE AND SALARY, SELF-EMPLOYED, UNPAID FAMILY WORKERS, DOMESTICS, FARM WORKERS, AND LABOR DISPUTANTS. 5/ DUE TO REVISED ESTIMATING PROCEDURES BETWEEN DECEMBER 1984 AND JANUARY 1985, DATA FOR 1985 AND THAT OF PREVIOUS YEARS ARE NOT STRICTLY COMPARABLE.

NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT
(BY PLACE OF WORK)

INDUSTRY	DEC. 1985 1/	NOV. 1985 2/	DEC. 1984	CHANGE FROM NOV. 1985	CHANGE FROM DEC. 1984
TOTAL 3/	1,036,500	1,043,200	1,015,800	- 6,700	20,700
WAGE & SALARY EMPLOYMENT (INDEX 4/	110.7	110.4	108.5	XXX	XXX
DIFFUSION INDEX 5/	38.4	37.6	55.4	XXX	XXX
TOTAL MANUFACTURING	193,300	198,500	195,000	- 5,200	- 1,700
DURABLE GOODS	143,500	145,000	144,600	- 1,500	- 1,000
LUMBER & WOOD PRODUCTS	62,600	63,900	63,800	- 1,300	- 1,200
LOGGING & SAWMILLS	52,600	53,700	53,500	- 1,100	- 900
VENEER & PLYWOOD	10,000	10,100	10,500	- 100	- 500
MILLWORK & STRUCTURAL WOOD	6,300	6,300	6,100	0	200
MOBILE HOMES	1,400	1,500	1,300	- 100	100
OTHER WOOD PRODUCTS	2,900	2,900	3,000	0	- 100
FURNITURE AND FIXTURES	2,600	2,700	2,800	- 100	- 200
STONE, CLAY, GLASS & CONCRETE	2,300	2,300	2,400	0	- 100
PRIMARY METALS	9,300	9,300	9,300	0	0
BLAST FURNACES, IRON & STEEL	5,300	5,300	5,000	0	300
NONFERROUS METALS	4,000	4,000	4,300	0	- 300
FABRICATED METALS	11,600	11,700	10,400	- 100	1,200
FABRICATED STRUCTURAL METALS	6,200	6,200	5,000	0	1,200
OTHER FABRICATED METALS	5,400	5,500	5,400	- 100	0
MACHINERY	12,900	12,900	13,600	0	- 700
ELECTRICAL EQUIPMENT & SUPPLIES	13,000	13,000	14,300	0	- 1,300
TRANSPORTATION EQUIPMENT	9,300	9,300	7,800	0	1,500
INSTRUMENTS & RELATED PRODUCTS	14,500	14,500	14,500	0	0
MISCELLANEOUS MANUFACTURING	3,100	3,100	2,800	0	300
NONDURABLE GOODS	49,800	53,500	50,400	- 3,700	- 600
FOOD & KINDRED PRODUCTS	23,300	25,000	24,000	- 1,700	- 700
CANNING & PRESERVING	7,000	10,600	10,300	- 3,600	- 300
OTHER FOOD PRODUCTS	16,300	14,400	13,700	1,900	2,600
TEXTILE MILL PRODUCTS	1,000	1,000	1,000	0	0
APPAREL	2,300	2,300	2,700	0	- 400
PAPER & ALLIED PRODUCTS	8,100	8,100	8,900	0	- 800
PRINTING & PUBLISHING	11,000	10,900	10,900	100	100
CHEMICALS & ALLIED PRODUCTS	2,100	2,100	2,100	0	0
PETROLEUM REFINING	400	400	500	0	- 100
RUBBER & PLASTIC PRODUCTS	2,600	2,700	2,800	- 100	- 200
LEATHER PRODUCTS	900	900	800	0	100

NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT
(BY PLACE OF WORK)

INDUSTRY	DEC. 1985	NOV. 1985	DEC. 1984	CHANGE FROM NOV. 1985	CHANGE FROM DEC. 1984
(CONT.)					
TOTAL NONMANUFACTURING	847,900	844,400	820,500	- 1,500	22,400
MINING & QUARRYING	1,300	1,500	1,300	- 200	0
CONSTRUCTION	30,100	30,900	29,700	- 800	400
TRANSPORTATION, COMMUNICATIONS, & UTILITIES	56,100	55,900	55,100	600	1,000
TRANSPORTATION	34,200	33,900	32,900	300	1,300
RAILROAD	4,900	5,000	5,200	- 100	- 300
TRUCKING & WAREHOUSING	19,100	18,400	17,700	700	1,400
OTHER TRANSPORTATION	10,200	10,100	10,000	100	200
COMMUNICATIONS	13,300	13,400	13,600	- 100	- 300
UTILITIES	8,600	8,600	8,600	0	0
TRADE	270,200	269,400	261,300	1,800	8,900
WHOLESALE TRADE	67,800	68,200	65,600	- 400	2,300
DURABLE GOODS	39,500	39,500	38,400	0	1,100
NONDURABLE GOODS	28,300	28,700	27,200	- 400	1,200
RETAIL TRADE	202,400	201,200	195,700	1,200	6,600
GENERAL MERCHANDISE	27,500	26,300	26,900	1,200	600
FOOD STORES	31,400	31,300	29,900	100	1,500
AUTO DEALERS & SERVICE STATIONS	24,500	24,900	24,500	- 400	0
OTHER RETAIL TRADE	119,000	118,700	114,500	1,300	4,500
FINANCE, INSURANCE, & REAL ESTATE	66,200	66,100	64,200	100	2,000
BANKING & CREDIT AGENCIES	23,600	23,600	23,300	0	300
OTHER FINANCE, INSURANCE, & REAL ESTATE	42,600	42,500	40,900	100	1,700
SERVICES	179,300	178,200	171,700	1,100	7,600
HOTELS & PERSONAL SERVICES	21,900	21,800	21,800	100	100
HEALTH SERVICES	91,400	91,000	88,600	400	2,800
OTHER SERVICES	66,000	65,400	61,300	600	4,700
GOVERNMENT	224,200	224,300	221,300	- 100	2,900
FEDERAL GOVERNMENT	60,100	60,200	59,900	- 100	200
STATE GOVERNMENT	94,900	94,400	94,800	500	100
EDUCATION	63,100	63,000	63,200	100	- 100
OTHER STATE	31,800	31,400	31,600	400	200
LOCAL GOVERNMENT	137,300	136,900	136,500	400	800
EDUCATION	95,100	94,900	94,100	200	1,000
OTHER LOCAL	42,200	42,000	42,400	200	- 200
LABOR-MANAGEMENT DISPUTES	0	0	600	0	- 600

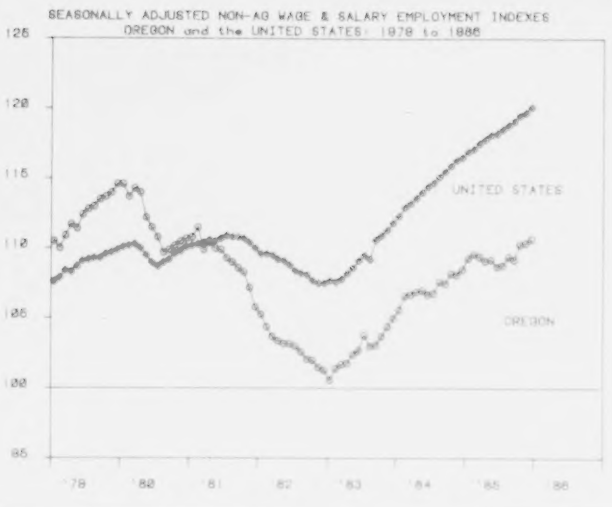
1/ PRELIMINARY

2/ REVISED

3/ INCLUDES FULL AND PART-TIME NONFARM WAGE AND SALARY WORKERS IN PAY PERIODS INCLUDING THE 12TH OF THE MONTH. PROPRIETORS, SELF-EMPLOYED, PRIVATE HOUSEHOLD WORKERS AND ARMED FORCES EXCLUDED. NOTE: ESTIMATED IN COOPERATION WITH THE U.S. BUREAU OF LABOR STATISTICS AND EMPLOYMENT AND TRAINING ADMINISTRATION. ALL DATA ARE BASED ON THE 1972 STANDARD INDUSTRIAL CLASSIFICATION (SIC) CODES AS AMENDED BY THE 1977 SUPPLEMENT.

4/ TOTAL NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT, SEASONALLY ADJUSTED, AND INDEXED TO 1977. DATA ON THE EARLIER INDEX (1972 = 100) CAN BE CONVERTED TO THE 1977 BASE PERIOD BY MULTIPLYING BY A FACTOR OF .8284, THE RATIO BETWEEN 1972'S ANNUAL AVERAGE EMPLOYMENT (774,300) AND THAT OF 1977 (936,900).

5/ THE DIFFUSION INDEX IS THE PERCENTAGE OF A SELECTED GROUP OF 43 INDUSTRIES SHOWING AN INCREASE IN SEASONALLY ADJUSTED EMPLOYMENT. HALF OF THOSE INDUSTRIES SHOWING NO SIGNIFICANT CHANGE (LESS THAN 1/2 OF 1%) ARE COUNTED AS INCREASING.



During the third quarter, however, the state's economic pause bottomed out, and all three of these labor market indicators began to signal a turnaround. In the fourth quarter, Oregon's economy appeared to get back on track and was re-gaining some of the momentum that had been lost earlier in 1985.

In fact, the best month of the whole year, at least in terms of the labor market, was December. This may not be very apparent when pondering all the numbers in the December labor force table, but it is clear when you look at the accompanying graphs showing the trends in Oregon's seasonally adjusted unemployment rate (page 1), nonfarm employment index (page 4) and diffusion index (page 5). Following are some of December's highlights:

-Oregon's unemployment rate (seasonally adjusted) dropped to 7.4% from 7.6% in November. Not since March 1980 (7.2%), nearly six years ago, has the rate been this low. Although the gap between Oregon's and the nation's jobless rates narrowed significantly during the second half of 1985, Oregon's rate remains higher than the U.S. rate, which slipped by 0.1 to 6.9% in December.

-Despite a seasonal increase of 2,800 over the month, the actual number of unemployed workers in Oregon (104,700) was at the lowest December level since 1979.

-The nonfarm employment index (a measure of the number of people on payrolls now, compared to the 1977 = 100 base period) rose by 0.3 to 110.7, its highest mark since January 1984.

-Oregon's diffusion index, which shows the percentage of industries which are expanding based on seasonally adjusted employment, soared to 58.2 from 51.6 in November, the indicator's best performance since May 1984.

-Manufacturing employment, led by job declines in food products and lumber and wood, fell by 5,200 in December. Although this drop was 700 more than seasonally expected, it was due primarily to later than usual timing of food processing layoffs, and so was not really a negative factor. Lumber and wood products layoffs were 800 less than anticipated due to lower interest rates and favorable December weather.

-Nonmanufacturing employment displayed a familiar pattern. At a time of year when a drop of nearly 5,000 nonmanufacturing jobs is expected, mostly in construction and state and local government, a decline of only 1,500 occurred. Nearly all of the major nonmanufacturing categories contributed to this solid performance. December's cold, but clear, dry weather played an important part, benefiting a number of industries, especially construction and transportation, communication and utilities. The transportation industry had its strongest month in quite some time due to increased holiday demands for movement of freight and air travelers. Promotion of discount air fares, coupled with the diversion of air traffic to Portland from the fog-bound Seattle area during December, helped to further boost transportation-related employment.

Although these December highlights offer encouraging signs that Oregon's economy is continuing to emerge from its premature hibernation last winter, the fact remains that there is still a long way to go before we can say that Oregon has fully recovered from the 1980-82 recession period. Consider, for example, the following facts:

-In the third year of economic recovery, Oregon's annual average unemployment rate was 9.0% in 1985. This was not only higher than the 6.8% rate in the pre-recession year of 1979, but it was also above the 8.3% rate of 1980, the first year of Oregon's long recession.

-nonfarm payroll employment this December (1,036,200) was 6,000 below December 1980 and 40,000 below the December 1979 level. Both manufacturing (-33,800) and nonmanufacturing (-6,300) were below their December 1979 employment peaks.

-the economic recovery to date has been very imbalanced in terms of both industries and geographic regions affected. Major metropolitan areas, especially the Portland PMSA, have fared much better generally than have less urbanized, or rural, areas of Oregon. This primarily reflects the different industrial characteristics of these areas. Most non-metropolitan areas have less diversified economies. Usually they are heavily dependent on one or two manufacturing industries, especially lumber and wood products, and/or agriculture to generate the bulk of local income. These industries, however, are continuing to experience market problems and severe competition from abroad, due in part to the overvalued dollar. Most job gains have come primarily in nonmanufacturing industries, such as trade, finance and services, and these activities are centered in the metropolitan areas.

Underscoring the uneven nature of Oregon's economic recovery was the announcement last fall by the U.S. Department of Labor that 25 Oregon counties, plus the nonmetropolitan portion of Lane County, were being designated, due to high unemployment, as federal "labor surplus areas" for the current fiscal year (see Oregon Labor Trends, Oct. 1985).

More recently, a similar designation was made by the Oregon Economic Development Commission in December identifying 18 counties plus two other local areas as state "economically lagging areas". These designations were made based on an analysis of data on unemployment, median income and population growth, in comparison to statewide rates. Although such designations are made in the context of specific federal or state assistance programs, they do remind us that economic prosperity still eludes a large number of communities in Oregon.

1986

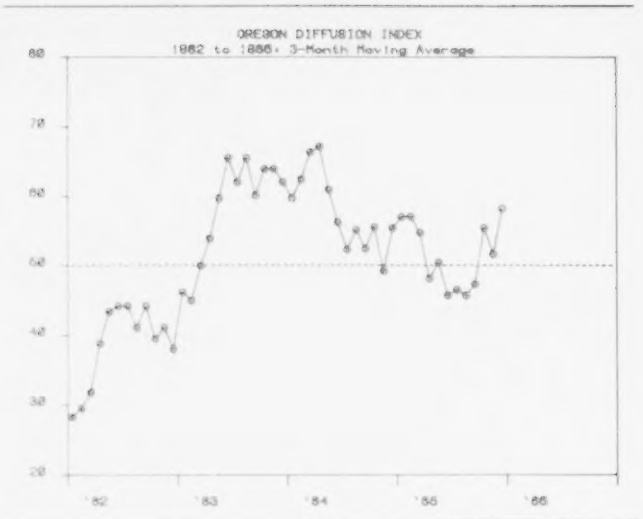
Despite persistent problems in some industries and regions of the state, Oregon's overall economy should continue to expand in 1986. The pattern of growth will probably be very similar to that of 1985. Nonfarm payroll employment is likely to rise by nearly two percent (15,000-20,000), with virtually all of the gains again coming in the nonmanufacturing sector of the economy, especially services and trade. Little, if any, expansion is anticipated in manufacturing. Last year's pattern of a weaker first half economy followed by a stronger second half is also likely to be repeated. One important implication of this near-mirror image scenario is that the sharp contrast in business conditions between urban and rural areas of Oregon will not only persist in 1986, but may even grow wider.

Oregon's economy during the next year will be influenced to a large extent by national and even international economic conditions. Things like Gramm-Rudman, U.S. budget and trade deficits, crop surpluses, the Federal Reserve, the foreign exchange value of the dollar, and the price of OPEC oil may boggle the mind and seem remote. But they have at least one thing in common---all of them will impact Oregon's economy in 1986.

It's impossible to cite, or even foresee, all the factors that will significantly affect Oregon in the year ahead. Some of the more important trends and/or economic assumptions behind the outlook for continued, modest recovery for Oregon include the following:

The U.S. economy will grow at about the same pace in 1986 as it did in 1985 (+2.3% real GNP). The recent passage of Gramm-Rudman promises to erase annual federal budget deficits by 1991 through either spending cuts, tax increases or a combination of both. Although government spending at all levels will soon feel the effects of the Gramm-Rudman budget ax, federal spending in 1986 will still greatly exceed revenues. But while across-the-board spending cuts will begin in March, any tax increases will probably be delayed until 1987. One possible exception might be an energy tax increase, such as an oil import fee or higher gasoline taxes at the pump. The dramatic decline in world oil prices in the past few months will not only boost U.S. economic growth while keeping inflation in check, but it may also offer one of the least painful ways to reduce the budget deficit.

The recent drop in oil prices reinforces an already favorable outlook for inflation. Consumer prices are likely to rise by only 3 to 4% in 1986. Stable food prices and interest rates, modest wage



gains, and stiff competition from imported goods will help to offset relatively high rates of inflation for medical and other services.

One of the main reasons for low inflation in the past couple of years has been the high foreign exchange value of the dollar. While this situation has benefited consumers in the short run by making imported goods cheaper, it has exacted a heavy toll on jobs and profits in U.S. industries that export goods and/or compete with imports here at home. Many of these industries are now in the process of restructuring their operations in order to slash costs and increase efficiency.

In 1986, however, a change may be in the offing. During the past year, the dollar's foreign exchange value has fallen by 20-25%, due to lower U.S. interest rates and a concerted effort by the U.S. and its allies to force the dollar lower. Many analysts expect a further drop of 10-15% in the dollar's value during 1986. This decline, coupled with more efficient operations, should begin to benefit domestic industries by the second half of 1986.

Oregon should also benefit from a softer dollar and the decline in interest rates since last year. Lower interest rates, especially for home mortgages, should help to sustain U.S. housing starts at about last year's level of 1.73 million. Although demand for lumber and plywood may increase a little in 1986, wood product markets are expected to remain weak due to excess capacity and stiff competition from producers in other parts of the U.S. and Canada. Unfortunately for Oregon, Canadian softwood lumber imports to the U.S. will continue to account for a major share of the market. In part, this is because the dramatic decline in the value of the U.S. dollar in the past year has been largely offset by a parallel drop in the Canadian dollar.

Another problem facing many wood products companies and workers in Oregon is the expiration of labor contracts in June. Since these companies will be seeking large wage and benefit concessions from workers, the potential exists for a number of labor disputes, layoffs, or plant shutdowns during the first half of the year.

The outlook for Oregon's agricultural industry in 1986 is also one of little improvement. Better markets for livestock and for some crops grown mostly in the Willamette Valley are expected. For many farmers, however, 1986 will be another tough year of depressed markets due to commodity surpluses and foreign competition. Farm incomes may also be hurt by the new farm bill which will reduce federal price supports for certain crops over the next several years. Greater reliance on market forces, it is hoped, will eventually reduce commodity surpluses and improve prices for many farm products. This will take a few years, however, and in the meantime, many farmers and ranchers will be hard-pressed just to hold onto their farms.

Another important sector of Oregon's economy which has fallen on hard times in the past year and a half is "high technology" manufacturing. This sector, actually a diversified group of industries making various products from semi-conductors to computers to scientific instruments, is still in a slump. Although two new companies plan to start production during the first half of 1986, they will be more than offset by a large plant closure and related layoffs early this year. Many analysts are predicting a turnaround for the computer industry during the second half of 1986. Before this occurs, however, employment in high technology manufacturing is expected to slip a little further.

The timing of the rebound in high tech and other manufacturing industries will be determined by a number of factors. A few, in particular, will be the rate of improvement in exports versus imports, and the strength of business investment and consumer spending in 1986. Although the rates of increase will continue to slow, spending by consumers and business firms in 1986 is expected to show modest gains. However, record levels of installment debt coupled with low savings may exert a powerful drag on spending later this year if consumer confidence drops. If it does, and if the economy begins to falter in 1986, the Federal Reserve will foster lower interest rates in order to prevent a new recession. Federal budget deficits always rise during recessions, and with so much red ink flowing already, a new recession would be disastrous.

The net effect of all these factors, then, on Oregon's 1986 economic prospects will be positive, resulting in modest improvements on both the employment and unemployment fronts. Services and trade, which may receive an extra boost this year from World's Fair and Canada-bound tourists, will once again outperform all other industries.□

AGRICULTURE IN OREGON

William Street

(Editor's Note: Mr. Street is the Employment Division's Labor Market Economist for Eastern Oregon stationed in LaGrande.)

Home, home on the range,
Where the mortgage grows larger many ways.
Where seldom is heard an encouraging word,
And, the interest payments come due every day.

While it used to be hard to keep them down on the farm once they've seen Paree, now it's the profit and loss statement which sends them a packin'. The days of worrying about the weather and yields seem to have been replaced with debt stress and the re-financing blues. Once, to become a farmer, one needed to have the courage to rob a bank; now, what is required is enough money to start one.

Agriculture in Oregon, as elsewhere, is finding itself squeezed between accelerating production costs and falling commodity prices. Either one of these two conditions is sufficient to cause an agricultural crisis, but combined they form a knockout punch.

Production costs began to accelerate during the late 1960s. By 1979, production costs represented 79.7% of total agricultural cash receipts. These continued to rise so much that by 1983 they totaled 84.7% of total cash receipts. Preliminary data for 1984 and 1985 suggest that the trend is continuing. The margin for error in Oregon agriculture is becoming increasingly narrow.

During the 1980s total cash receipts have declined. Between 1982 and 1983, total cash receipts declined in Oregon by 3.6%, or 81.8 million dollars. Initial estimates for 1984 and 1985 show that income continued to fall for several counties and various agricultural commodities. Let's look at just a few instances. Between 1984 and 1985, county agricultural income dropped by $2 million in Baker County, $1.7 million in Grant County, and $21 million in Malheur County, giving this county its lowest total since 1961 (when adjusted for inflation).

The decline of income and the escalation of production costs has propelled debt to the forefront of the farm crisis. While many Oregon farmers, ranchers, and growers managed to avoid the harsher aspects of the debt crisis by missing out on land speculation during the mid-1970s, the state still had a FmHA farm loan delinquency rate of 40% last year. This was slightly above the national average of 32%. With lower commodity prices and less income, this rate will probably increase.

One aspect of the debt crisis is that the financial rules of the game were radically changed during the past few years. This financial change came too rapidly for many farmers. Interest rates to farm borrowers have historically been low and stable. But the deregulation of financial markets and national economic policy changes have created high inflation-adjusted interest rates. These higher interest rates, in turn, increase production costs and, worse, intensify debt service burdens of farmers who borrowed heavily when interest rates were much lower. Nationally, the worst debt stress is concentrated among the nation's 675,000 commercial scale family farms. Current estimates place farm debt at $43 billion.

(continued on page 8)

HOURS & EARNINGS

Jason Yohannan

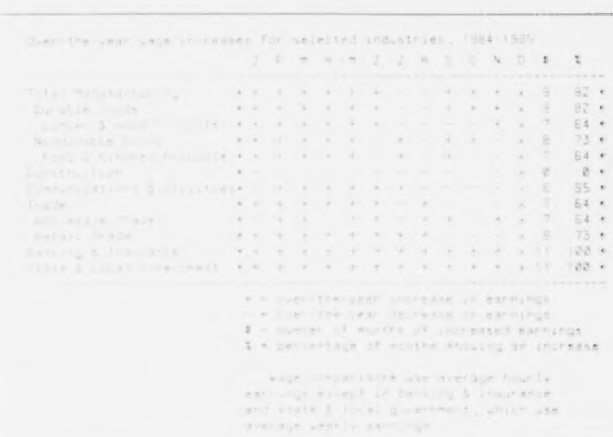
The Hours & Earnings article in the October issue of Oregon Labor Trends suggested that the manufacturing average hourly earnings series should be watched closely in upcoming months to see how employees' wages have been affected by fierce international competition. Just how have Oregon workers fared in 1985 in terms of pay?

Although one of the best measures, 1985 annual average hours and earnings, is not yet available, one way to answer this question is to compare the industries tracked on our monthly table with their corresponding 1984 pay levels. The results of this comparison are shown in the accompanying table.

The most striking statistic from the table is the complete shutout for the construction industry. In every month, none of the average hourly earnings posted for construction were higher than 1984 levels. So, although construction employment has made some gains in 1985, the gains have come at a price, with wages falling in 1983, 1984, and again in 1985. Most other industries have seen improved earnings for the year, especially banking & insurance and state & local government. Average weekly earnings in both have been higher than 1984 in each month of the year.

The above analysis only measured the number of months where wages have increased. A more complete analysis of the level of increases will be possible later when annual averages are available. With the competition mentioned earlier and a Consumer Price Index running in the 3-4% range, those levels should not be expected to be very high.□

Over-the-year wage increases for selected industries, 1984-1985



\+ = over-the-year increase in earnings
\- = over-the-year decrease in earnings
= number of months of increased earnings
% = percentage of months showing an increase

Wage comparisons use average hourly earnings except in banking & insurance and state & local government, which use average weekly earnings.

AVERAGE HOURS AND EARNINGS OF OREGON INDUSTRIAL PRODUCTION WORKERS 1/

	Average Weekly Earnings			Average Weekly Hours			Average Hourly Earnings		
	Nov. 2/ 1985	Oct. 3/ 1985	Nov. 1984	Nov. 2/ 1985	Oct. 3/ 1985	Nov. 1984	Nov. 2/ 1985	Oct. 3/ 1985	Nov. 1984
TOTAL MANUFACTURING 4/	$407.40	$407.40	$399.36	38.8	39.4	38.4	$10.50	$10.34	$10.40
Durable Goods	421.74	428.80	413.83	39.6	40.0	39.3	10.65	10.72	10.53
Lumber & Wood Products	443.77	453.10	430.68	39.8	40.6	38.8	11.15	11.16	11.10
Logging & Sawmills	470.05	489.95	449.92	39.5	41.0	38.0	11.90	11.95	11.84
Veneer & Plywood	446.90	439.15	453.58	41.0	40.7	40.9	10.90	10.79	11.09
Millwork & Struct Wood	357.75	354.76	347.38	39.4	39.2	38.9	9.08	9.05	8.93
Mobile Homes	279.72	304.92	283.03	33.3	36.0	34.1	8.40	8.47	8.30
Other Wood Products	450.25	447.72	421.96	40.6	41.0	38.5	11.09	10.92	10.96
Furniture & Fixtures	342.76	335.60	306.18	41.0	40.0	37.8	8.36	8.39	8.10
Primary Metals	505.91	498.78	503.01	41.4	41.6	42.7	12.22	11.99	11.78
Fabricated Metals	376.75	381.97	388.28	38.8	39.5	39.3	9.71	9.67	9.88
Machinery	421.88	416.23	404.64	39.8	38.9	39.4	10.60	10.70	10.27
Nondurable Goods	367.19	353.05	360.72	36.5	37.8	36.0	10.06	9.34	10.02
Food & Kindred Products	295.32	289.13	288.62	34.5	37.5	33.6	8.56	7.71	8.59
Canning & Preserving	231.28	254.60	228.70	31.9	38.0	31.2	7.25	6.70	7.33
Other Food Products	402.74	381.11	393.21	38.8	36.4	37.7	10.38	10.47	10.43
Textile Mill Products	201.86	229.82	228.98	33.2	37.8	38.1	6.08	6.08	6.01
Apparel	206.27	204.98	200.93	37.3	37.0	36.4	5.53	5.54	5.52
Paper & Allied Products	587.89	592.86	589.47	40.6	41.0	41.6	14.48	14.46	14.17
Printing & Publishing	393.13	387.45	408.24	36.1	35.0	36.0	10.89	11.07	11.34
Construction 4/	464.77	490.82	463.46	34.3	35.8	32.8	13.55	13.71	14.13
Communications & Utilities 5/	511.70	502.63	507.32	41.1	40.6	40.2	12.45	12.38	12.62
Trade 5/	276.89	280.38	281.05	33.4	33.7	33.3	8.29	8.32	8.44
Wholesale Trade	387.00	380.14	377.48	37.5	37.6	37.3	10.32	10.11	10.12
Retail Trade	224.20	231.82	235.50	31.4	31.8	31.4	7.14	7.29	7.50
Banking & Insurance	293.39	283.48	274.83						
State & Local Government	341.32	339.86	324.80						

1/ Figures are average gross hours and earnings of full and part-time worked or paid for, including overtime and shift premium pay. Prepared in cooperation with the U.S. Department of Labor. All data are based on the 1972 Standard Industrial Classification (SIC) codes.
2/ Preliminary
3/ Revised
4/ Data for production workers only and exclude administrative, supervisory (above working foremen), technical, sales and office personnel.
5/ Data for nonsupervisory employes only, excluding proprietors and executive personnel. Data for retail trade excludes eating and drinking places.

While conditions differ for each commodity group, 1985 was a bad year for many. Wheat yields were lower and so was the price. Since higher yields have been the grower's major buffer against low prices, the low yields in 1985 will adversely affect many growers. Cattle ranchers continue to liquidate stock to cover debt and operating expenses. Nationally, herd size is approaching a 20 year low. In Oregon, as many as 300 persons could be forced out of the industry during the next few years. Row crops have also had a difficult year. The price for fresh market potatoes fell after a three year increase, while the average price of onions plummeted to approximately $5 per hundred pounds, with an average production cost of $7 per hundred pounds.

For rural agricultural communities, this loss of both income and profits means far fewer dollars in the local economy during the next year. This decline in income will not be limited to farm families, farm merchants, or even farm communities. As the debt crisis worsens, financial institutions will also share in the burden, as will the state, and eventually the urban areas. Agricultural income represents a major source of capital for Oregon, some of which is used to build office towers in Portland and fund service sector jobs in Salem. The plight of the agricultural community, now isolated in rural areas, is about to break out to the next level of the circle. Just as concentric circles spread out from a pebble landing in a farm pond, the adverse consequences of the farm crisis will begin to spread statewide.

Improved prices for farm commodities in 1986 could go a long way to mitigate the debt crisis. A falling dollar also will definitely help make Oregon agricultural products more competitive. Likewise, the growing shift in farm management policy away from maximum production to the idea of optimal production will assist in the overproduction problem. Unfortunately, no single policy or concept will solve the problems. As is usually the case, the transition will be both costly and unpredictable. An awareness of the problem by all of the state's residents, both urban and rural, will make policy solutions at the state level more politically feasible. The choice facing us is similar to that posed by the advertisement for purchasing regular oil changes for automobiles....we can either pay a little now, or a lot more later.

While it is difficult to find a farmer who will acknowledge a good year (even in good years), current farm problems should not be viewed like Peter and the Wolf. The wolf is very real, the employment consequences large. As much as it stretches the imagination to picture a silicon forest, it is even harder to imagine a silicon omelette, let alone try to eat one.□

EMPLOYERS' CORNER— FOOD STAMP INTERCEPT OF UI BENEFITS

Dorothy Monnier

The recently enacted Farm Bill (P.L. 99-198) includes a surprise for the Unemployment Insurance (UI) System . . . . a provision permitting states to deduct food stamp overissuances from UI benefits. The legislation is modeled on current law that requires states to deduct child support obligations from UI benefits.

The new law permits, rather than requires, states to make deductions for food stamp overissuances. There will likely be pressure from the state agency administering the food stamp program to do so.

This provision originated with the agriculture committees, which technically have no jurisdiction to amend the Social Security or Wagner-Peyser Acts. However, in the confusion at the end of the 85' session of the U.S. Congress, neither the House Ways and Means nor Senate Finance Committees objected to the provision.□

OREGON LABOR TRENDS

The Oregon Labor Trends is published monthly by the Research and Statistics Section of the Oregon Employment Division, Raymond P. Thorne, Administrator.

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